

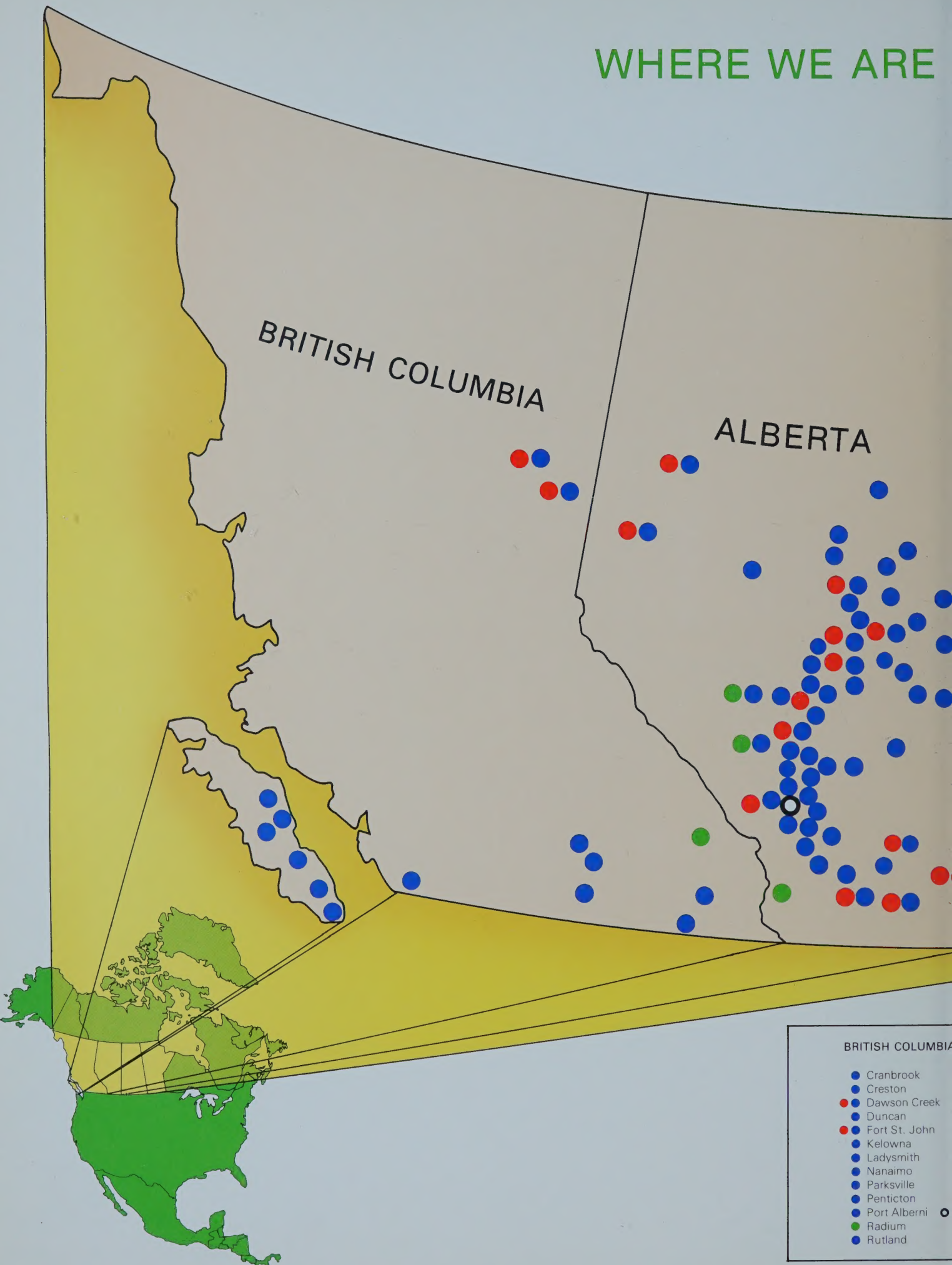
REVELSTOKE COMPANIES LTD.

ANNUAL REPORT 1976



*"It takes a great orchestra to produce
results like Revelstoke"*

WHERE WE ARE





STORE



LUMBER MILL



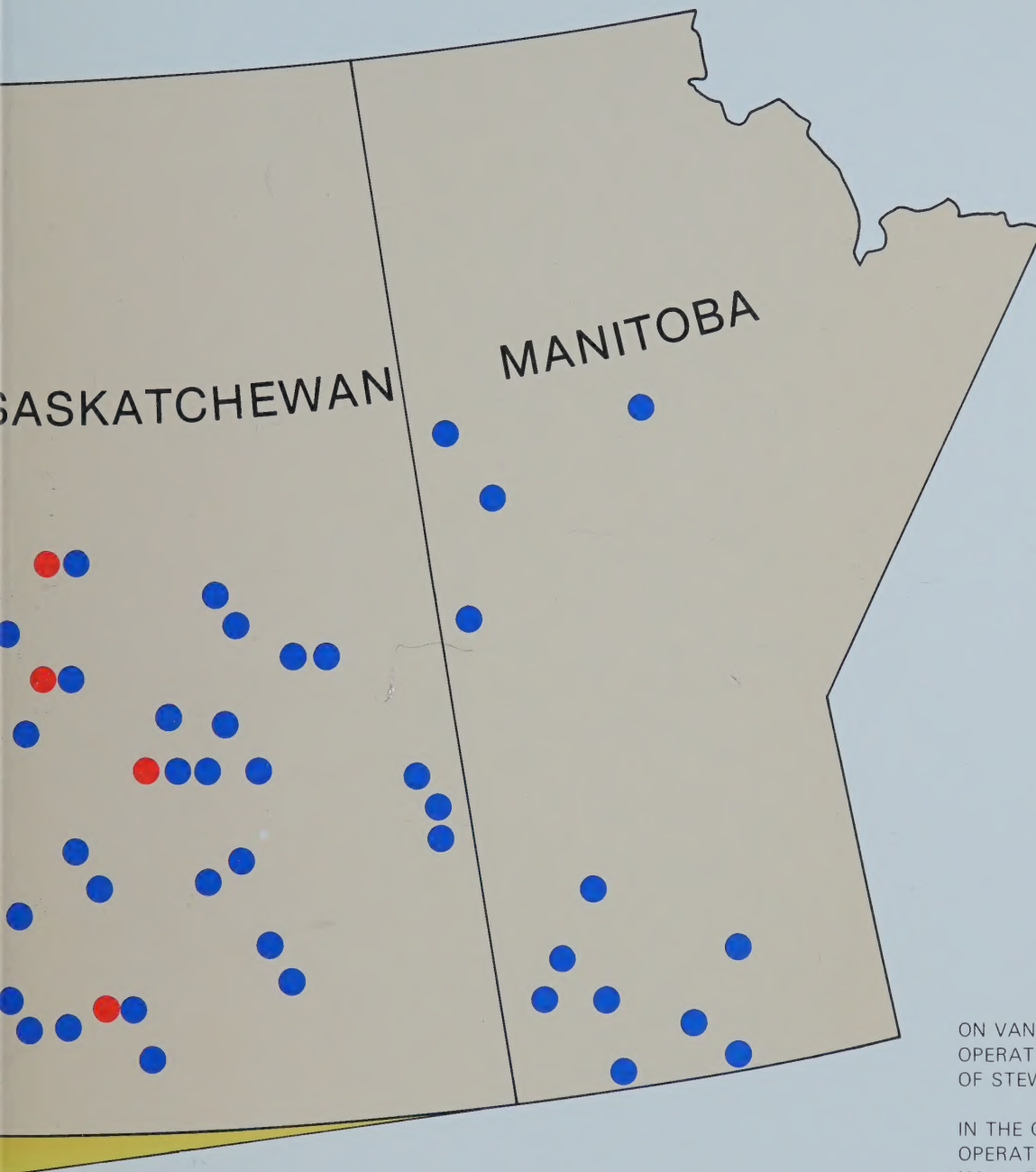
CONCRETE PLANT



HEAD OFFICE

SALES BY PROVINCE

ALBERTA.....53.0%
 BRITISH COLUMBIA.....24.9%
 SASKATCHEWAN/MANITOBA22.1%



ON VANCOUVER ISLAND, THE COMPANY OPERATES SIX STORES UNDER THE NAME OF STEWART & HUDSON.

IN THE OKANAGAN VALLEY, REVELSTOKE OPERATES THREE STORES UNDER THE NAME ECCOTT BUILDERS SUPPLY.

ALBERTA				SASKATCHEWAN		MANITOBA
<ul style="list-style-type: none"> Victoria White Rock 	<ul style="list-style-type: none"> Castor Coronation Crossfield Daysland Didsbury Drumheller Eckville Edmonton Grande Prairie Hanna Hardisty High River Holden Innisfail 	<ul style="list-style-type: none"> Lacombe Lac La Biche Leduc Legal Lethbridge Medicine Hat Nanton Okotoks Olds Peace River Picture Butte Ponoka Red Deer Rocky Mtn. House 	<ul style="list-style-type: none"> Sentinel Sundre Sylvan Lake Taber Two Hills Vauxhall Vegreville Vermilion Viking Vulcan Wainwright Wetaskiwin Whitecourt 	<ul style="list-style-type: none"> Battleford Birch Hills Canora Cudworth Davidson Elrose Fox Valley Gull Lake Humboldt Leader Lumsden Maidstone Meadow Lake 	<ul style="list-style-type: none"> Melfort Ponteix Preeceville Prelate Prince Albert Regina Rosetown Rosthern Saskatoon Swift Current Tisdale Unity Watrous Yorkton 	<ul style="list-style-type: none"> Boissevain Brandon Cypress River Dauphin Flin Flon Hamiota Morden Portage la Prairie Swan River The Pas Thompson Virtden

WHAT IS REVELSTOKE

The Company began as a sawmill operating in Revelstoke, British Columbia in 1903. Revelstoke started its first retail lumber yard on the prairies in 1906 to provide an outlet for its mill products. The Company subsequently built up a large network of lumber yards throughout the prairie provinces and moved its Head Office to Calgary, Alberta in 1912. To offer a complete range of building products to customers, Revelstoke entered the concrete business in 1952. The Company undertook a public financing in 1961 at which time its shares were listed for trading on the Toronto Stock Exchange. In 1972 the Company changed its name from Revelstoke Building Materials Limited to Revelstoke Companies Ltd.

Today Revelstoke's most significant business consists of 108 stores located throughout Western Canada, serving primarily retail customers as well as tradesmen and builders. These stores are referred to as "home improvement centres" as each one represents a combination hardware store, lumber yard, home decorating centre, building material dealer, carpet store and supplier of electrical, plumbing and heating equipment. In essence, what were once lumber yards have now evolved into stores that offer one stop shopping for customers wishing to complete any type of home building, decorating or repair project.

The Company is also in the business of producing redi-mix concrete with 19 plants in Alberta,

Saskatchewan and British Columbia, and in the lumber manufacturing business with three mills in Alberta and one mill in British Columbia. The principal customers of the concrete plant are builders, government agencies, homeowners and farmers. While a majority of the lumber produced by the mills is either sold in Canada or exported to the United States, the mills also serve as a major source of supply for Revelstoke's own stores.

The Company's retail, concrete and lumber businesses are organized into three operating "Divisions" which are closely related to one another in terms of integrated management, common customers and inter-company sales. First and foremost, however, Revelstoke is an organization of men and women committed to attracting, satisfying and retaining customers who build for themselves and others. The existence and success of the Company is based upon its ability to excel in serving customers through having the best people in its industry.

The cover of this year's Annual Report was designed to highlight the importance of everyone working at Revelstoke in contributing to the success of the Company. Accordingly, we asked the well known New Yorker cartoonist, George Booth, to convey our pride in our people and at the same time to show that we try not to take ourselves too seriously.

WHAT ARE THE COMPANY'S OBJECTIVES

- To serve and satisfy an increasing number of customers.
- To provide the men and women in our Company with the opportunity for advancement and increased personal satisfaction.
- To demonstrate entrepreneurship, leadership and high standards throughout the Company.
- To participate in markets which experience above average growth.
- To monitor closely competitive market conditions.
- To keep our manner of doing business simple and economical.
- To strive for excellence as opposed to imitating others and accepting how things were done in the past without question.
- To increase earnings per share and achieve an acceptable return on shareholders' equity.
- To support community affairs where we are located on a basis consistent with the size of our Company.
- To have fun.

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1976 AT A GLANCE

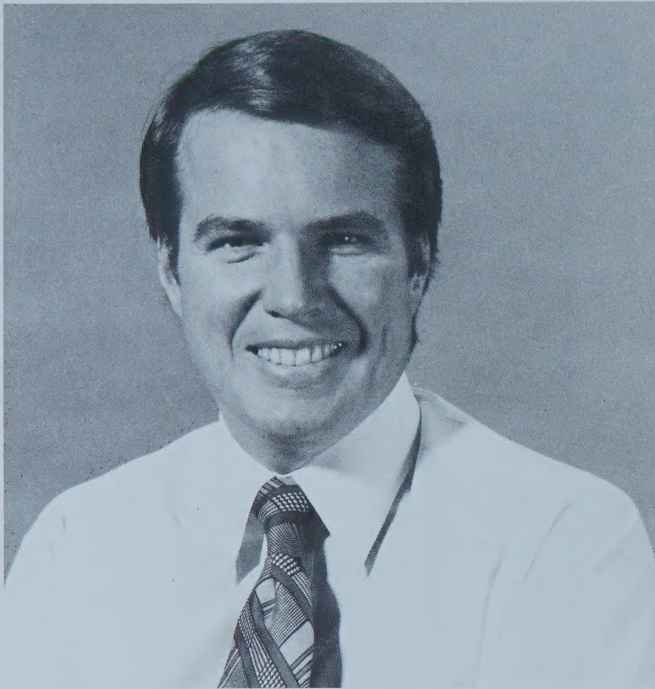
FOR THE YEAR ENDED DECEMBER 31

		Change 1976 - 1975	1976	1975
TOTAL DOLLARS:				
Sales.....	+	59.6%	\$148,901,812	\$93,304,451
Pre Tax Earnings.....	+	71.7%	\$ 8,072,350	\$ 4,701,058
Income Taxes on Earnings.....	+	73.8%	\$ 3,700,993	\$ 2,129,849
Net Earnings for Shareholders.....	+	70.6%	\$ 4,317,710	\$ 2,530,973
Cash Flow.....	+	70.6%	\$ 6,162,337	\$ 3,611,187
Common Share Dividends Paid.....	+	26.4%	\$ 485,218	\$ 383,953
Earnings Retained & Reinvested.....	+	83.5%	\$ 3,710,806	\$ 2,022,413
Capital Expenditures.....	-	12.1%	\$ 2,414,616	\$ 2,747,149
PER SHARE:				
Sales.....	+	57.8%	\$38.13	\$24.17
Earnings — Total.....	+	72.8%	\$ 1.08	\$ 0.625
— Diluted.....	+	75.6%	\$ 1.08	\$ 0.615
Cash Flow.....	+	69.0%	\$ 1.58	\$ 0.935
Common Dividends Paid.....	+	25.0%	\$ 0.125	\$ 0.10
Earnings Retained & Reinvested.....	+	81.0%	\$ 0.95	\$ 0.525
PERFORMANCE MEASUREMENTS:				
Asset Turnover (Sales ÷ Assets).....			2.40	1.88
Return on Sales (Net Earnings ÷ Sales).....			× 2.90%	× 2.71%
Return on Assets (Net Earnings ÷ Assets).....			= 6.96%	= 5.09%
Leverage Factor (Assets ÷ Equity).....			× 2.80	× 2.48
Return on Shareholders' Equity (Net Earnings ÷ Equity).....			= 19.50%	= 12.62%

Earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year. Capital expenditures are less the proceeds of asset disposals during the year.

Performance measurements are calculated using the asset and shareholders' equity balances as at the beginning of each year.

PRESIDENT'S REPORT



1976 HIGHLIGHTS

- Revelstoke's total sales increased 59.6% to \$148,902,000 compared with \$93,304,000 in 1975. For the last five years the Company's sales have increased by a compound annual rate of 36.1%.
- Earnings amounted to \$4,318,000 or \$1.08 per share compared with \$2,531,000 or \$.625 per share in the prior year. For the past five years Revelstoke's earnings per share have grown by a compound annual rate of 43.1%.
- Dividends were \$.125 per common share in 1976 compared with \$.10 in 1975. For the past five years the Company's dividends per common share have grown by a compound annual rate of 29.0%.
- Alberta continued to represent Revelstoke's most important market, accounting for the majority of the Company's sales and earnings.
- The Retail Division contributed 76.4% of Revelstoke's sales, the Concrete Division 18.2% and the Lumber Division 5.4%.

REVIEW OF 1976

Revelstoke's overall performance in 1976, as demonstrated by the reported figures, is impressive by almost any standards. While the prosperity of the Company's major markets was obviously a factor, the substantial gains in sales and earnings must, in the final analysis, be attributed to the high level of productivity of the Company's employees at all levels. The

magnitude of the increase in sales and earnings is even more remarkable considering that these results were achieved with only 20% more employees than in the prior year and with virtually the same number of stores, plants and mills.

On the other hand, last year's increase in earnings was necessary to restore the Company's return on shareholders equity to a more acceptable level of 19.50% compared with the unacceptably low rates of return achieved in 1974 and 1975. In future years, Revelstoke will have to maintain the rate of return achieved in 1976 to enable the Company to continue to expand aggressively through substantial annual capital expenditures on new stores, plants and equipment.

Revelstoke's retail business again contributed the vast majority of the Company's sales and earnings. All of the stores' product lines and all of Revelstoke's markets, with the exception of some parts of British Columbia, contributed to the gains achieved by the Retail Division. The Company's sales of Revy Homes throughout the three prairie provinces were also impressive compared with the prior year.

Revelstoke's concrete plants generated a considerable increase in sales and earnings at almost all locations, while the Company's sand and gravel operations attained a satisfactory level of volume and earnings for the Concrete Division.

Revelstoke's Lumber Division failed to break even in 1976 as anticipated but reduced its operating loss to \$1,177,000 before taxes, compared with a loss of \$1,737,000 in the prior year. While lumber prices increased during 1976, the cost of operations continued to rise and some of the mills experienced a poor logging season and a sharp reduction in chip revenues.

OUR PEOPLE

As the cover of this year's Annual Report illustrates, the success of Revelstoke is, in large measure, a result of the enthusiasm, motivation and talents of the men and women working throughout the Company. We believe that we have a great orchestra of people who are dedicated to making Revelstoke the number one company in our business. To achieve the superior results that Revelstoke obtained in 1976, it takes people who work together with a special kind of spirit and attitude towards their company and their work.

Management is well aware that in order to continue to achieve our objectives we must attract the highest calibre of individuals to our business and provide our people at all levels with challenge, meaningful work and proper training. Revelstoke does not have a Personnel Department per se but the personal side of our business is the most important responsibility of everyone in management.

In the long-run, the critical factor determining Revelstoke's success will be the extent to which we can succeed in instilling a sense of true partnership between the Company's employees and shareholders. To achieve high standards and to produce exceptional performance requires a sharing of the benefits and rewards of success on an equitable basis. In this regard we strongly oppose the restrictions placed by the Anti-

Inflation Board on properly rewarding those employees who are responsible for improving the Company's productivity and financial success.

Four years ago Revelstoke initiated an Employee Savings and Stock Purchase Plan for all salaried employees whereby for every \$2 contributed by the employees to the purchase of our common shares, the Company contributes \$1. This plan is designed to encourage as many employees as possible to become shareholders of Revelstoke. Approximately 50% of all eligible salaried employees currently belong to the plan and at March 31, 1977 the market value of the shares held by employees in the plan amounted to approximately \$1,026,000.

FINANCIAL POSITION

The Company's total assets in 1976 increased to \$76,095,000 compared with \$62,081,000 at the end of the prior year. Most of the increase in total assets resulted from the higher levels of inventories and accounts receivable which in turn resulted from the substantial increase in the Company's overall volume of business. Shareholders' equity increased during 1976 to \$26,021,000 compared with \$22,134,000 at the end of 1975. Revelstoke's working capital position also increased to \$18,116,000 at the end of the year compared with \$16,126,000 a year earlier.

In 1976 Revelstoke's capital expenditures amounted to \$3,030,000 compared with \$4,206,000 in the prior year. In addition, the Company financed the purchase of \$2,047,000 of mobile equipment through sale and leasebacks during 1976 compared with \$1,848,000 of new equipment that was financed on the same basis in the prior year.

For 1977 the Company is budgeting capital expenditures of \$5,983,000 in the Retail Division, \$429,000 in the Concrete Division and \$855,000 in the Lumber Division. In addition, the Company is likely to finance the purchase of \$2,200,000 of mobile equipment on a sale and leaseback basis. Management is also considering financing several of the larger new stores to be built in 1977 through long-term sale and leasebacks.

In view of Revelstoke's demand for additional working capital to fund our high rate of growth and the substantial 1977 capital expenditure program, the Company is considering a private placement financing of long-term debt before the end of the year. It is highly unlikely that this financing will involve any dilution on the part of Revelstoke's common shareholders.

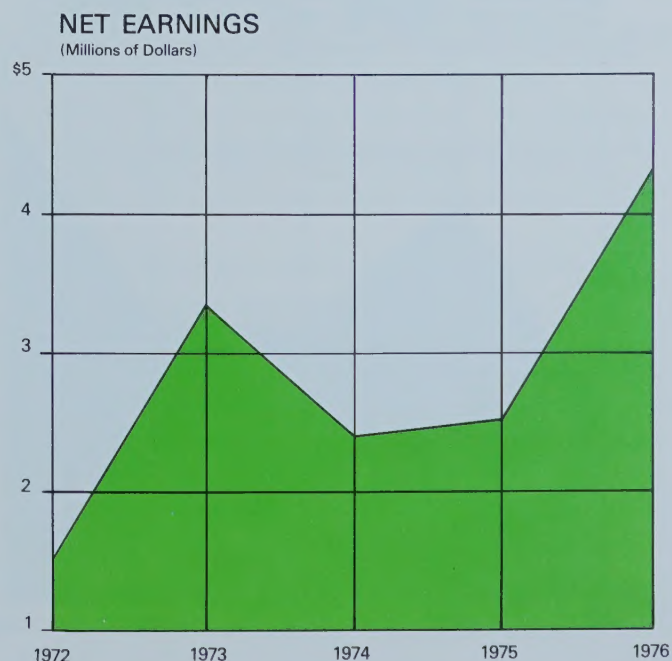
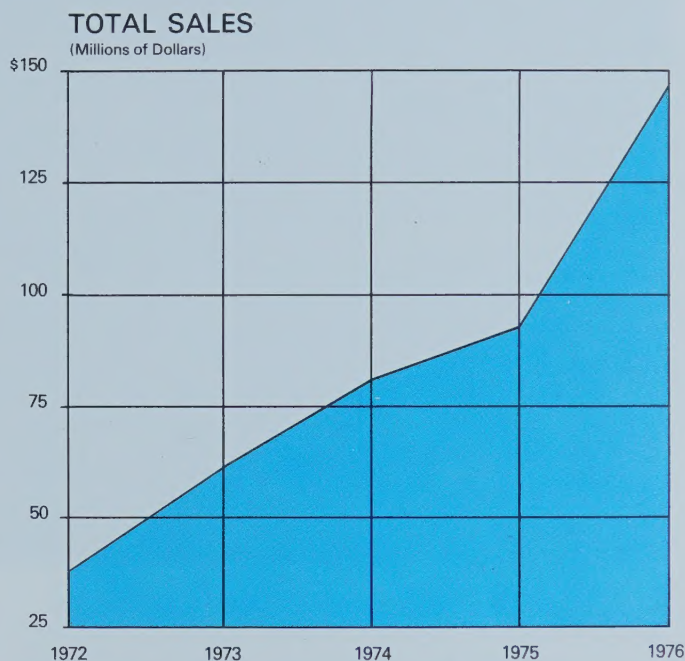
INFLATION

The unit sales of the Company's Retail, Concrete and Lumber Divisions all increased substantially in 1976. Competitive factors were the principal reason for holding down the unit prices of the products sold by both our Retail and Concrete Divisions. Lumber prices, as determined by international supply and demand, increased in 1976 by approximately 20% in comparison with 1975.

As the Company's Retail Division constitutes by far the largest proportion of our total business, we

measure, on a month to month basis, the extent to which inflation affects the selling price of our principal products. Based on a representative selection of the items sold by our stores, we estimated that the cost of our merchandise increased approximately 8% in 1976.

The federal government's prices and incomes guidelines apply to Revelstoke from the standpoint of controlling employee compensation, profit margins and dividends. During 1976, it is interesting to note that Revelstoke generated a modest amount of "excess revenues" according to the Anti-Inflation Board despite the fact that the Company's gross margin declined in comparison with the prior year. This situation is



unfortunate as the guidelines fail to allow for gains in productivity despite adherence to the basic objectives of having companies hold down their price increases.

To reflect the impact of inflation upon Revelstoke's fixed assets and to establish a more adequate basis for charging depreciation, management considered restating the value of the Company's land, buildings and other fixed assets on the basis of appraised market values. After discussions with Revelstoke's auditors and a survey of opinions in the financial community, it was decided that such a step would generate more questions than answers, especially in view of the fact that the Canadian accounting profession has yet to agree on the principles to be adopted for inflation accounting. Consequently, the Company proceeded with an appraisal of just its principal properties and this information is referred to in a footnote to the financial statements.

COMPANY OWNERSHIP

Revelstoke's common shares and preferred shares are listed on The Toronto Stock Exchange. Venture Funding Corporation Limited, a private investment holding company, owns just under 45% of the total outstanding common shares. Venture Funding is 65% owned by Canadian shareholders with the remaining 35% held by Canadian based, but American and European owned, investment firms. Venture Funding is therefore Canadian controlled and not a "noneligible person" as defined by the Foreign Investment Review Act of the Canadian federal government.

Another 5% of Revelstoke's common shares are held by the principals of Venture Funding as well as other members of management. The remaining shares are held by Canadian institutional and individual shareholders with the exception of approximately 1% of the shares which are held by U.S. and foreign shareholders.

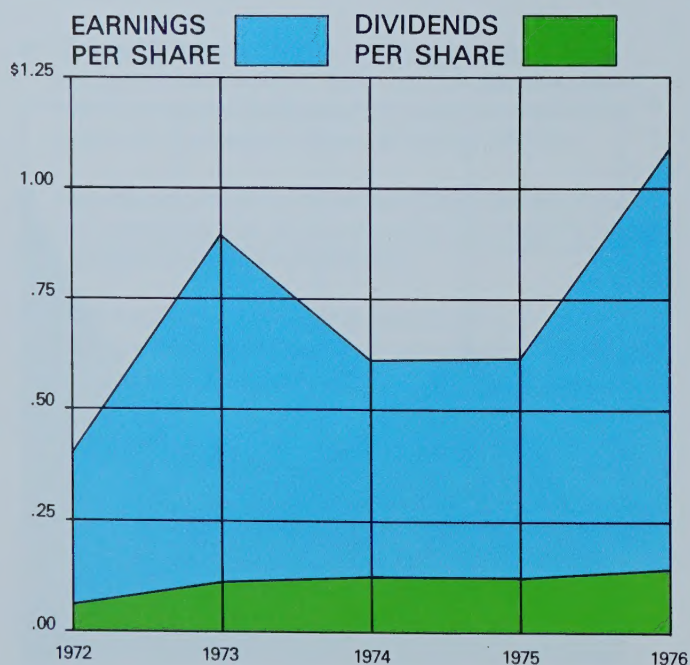
OUTLOOK FOR 1977

At this time it appears likely that Revelstoke will achieve a meaningful increase in both sales and earnings in 1977. All three Divisions should benefit from increased demand for their products in most of the Company's markets throughout Western Canada. The Lumber Division should also experience a strong export market.

Earlier this year, the Directors approved an increase in the semi-annual common share dividend paid on April 1, 1977 from \$.06¼ per share to \$.06¾ per share. This amount is lower than the Company's policy of paying out approximately 20% of the prior year's earnings because of the restriction placed on dividends by the Anti-Inflation Board.

During 1976, James R. Swartz, Vice President of Citicorp Venture Capital Ltd. in New York, replaced Gordon L. Leonard as a member of Revelstoke's Board of Directors. Management appreciates the assistance rendered by Mr. Leonard during his tenure as a Director of the Company. In the latter part of 1976, Robert L. Strickland, Executive Vice President and a member of the Office of the President of Lowe's Companies, Inc. in North Carolina, also joined Revelstoke's Board of Directors. Lowe's probably represents the most successful hard goods retailer in the United States and operates stores which are quite similar to Revelstoke's stores.

The more than 2,000 members of "the Revelstoke family" working at the Company deserve special thanks from the Board of Directors and shareholders for their outstanding performance in 1976. All of us at Revelstoke want to thank our customers, suppliers and friends for their support and confidence during the past year.



STEELE CURRY
President

April 14, 1977

RETAIL DIVISION



1976 HIGHLIGHTS

- The Retail Division's sales increased 62.8% to \$113,711,000 compared with \$69,845,000 in 1975. For the last five years this Division's sales have experienced a compound annual growth rate of 41.5%.
- The Retail Division's earnings achieved a satisfactory increase with lower gross margins being offset by higher productivity.
- Three new stores were built at existing locations, three stores had major expansions of their selling space, two stores were acquired and three smaller marginal stores were closed.
- The large gain in sales and earnings was generated in all product categories and in practically all of Revelstoke's markets with the exception of certain areas of British Columbia.
- The Company's sales of Revy Homes substantially increased in the three prairie provinces.
- Capital expenditures amounted to \$2,111,000 compared with \$2,007,000 in 1975.

Revelstoke's Retail Division consists of 108 stores located throughout Western Canada with 54 in Alberta, 28 in Saskatchewan, 14 in British Columbia and 12 in Manitoba. These stores are generally referred to as "home improvement centres" and carry a complete selection of lumber products, paneling, building materials, tools, paint, wallpaper, carpeting, hardware, kitchen cabinets, insulation, electrical supplies, plumbing items and heating equipment. The Company also sells prebuilt farm buildings and manufactured houses under the name "Revy Homes." In 1976 the Retail Division represented 76.4% of Revelstoke's total sales.

DESCRIPTION OF BUSINESS

The Company's home improvement centres serve both do-it-yourself customers and professional buyers with a complete range of products to provide one stop shopping for their building, home decorating and repair needs. Revelstoke's retail customers are homeowners, farmers, ranchers and, to a limited extent, apartment dwellers. The professional buyers include builders, tradesmen, local industries, institutions and municipalities. All of these customers in their normal course of operations require many of the products carried by Revelstoke's stores.

In 1976 approximately 63% of the Retail Division's sales were to retail customers, 28% to builders and tradesmen and 9% to industrial and institutional customers. This customer breakdown varies, however, from store to store.

MERCHANDISING POLICIES

In operating the Retail Division, management follows a number of carefully formulated merchandising policies designed to make Revelstoke the most successful home improvement retailer in its markets. These policies include the following:

- Each store must have the facilities and carry the merchandise necessary to service the needs of both do-it-yourself retail customers and professional buyers of all types.
- The sales staff at the stores must be capable of providing customers with advice concerning any kind of home improvement and building project. While the self-service concept applies to some of our products, Revelstoke's stores must be able to offer their customers up-to-date product information in order to maximize sales.
- The stores must offer both types of customers value for their money by maintaining competitive pricing in all product categories. This means that the Company must keep its manner of doing business as economical as possible with careful attention to controlling overhead and operating costs. Also implicit in this policy is recognition of the fact that the key to the long-term success of the Company's retail business is to increase productivity in all areas rather than to obtain a higher gross margin or mark-up on the products sold.
- All stores must offer a complete assortment of merchandise within their major product lines and must refrain from carrying items unrelated to the basic home improvement and building business. This means that the Company can concentrate its efforts on doing an excellent job in a limited number of product lines and avoid being known as a "me too merchant."
- Lumber products and building materials must constitute the "gut" product lines of every store. Management is therefore committed to being the best in the business in its markets in these lines. In the case of the other related home improvement and building products, Revelstoke strives to be at least as good or better than any other retailer offering these product lines.

In addition to these merchandising policies, the Company places special emphasis on providing the maximum incentives to motivate the sales and management personnel of the stores. These incentive programs are designed to maintain excitement and enthusiasm on the part of those employees who have the greatest contact with customers. Regional and store management are also given considerable autonomy to take into account both local market conditions and the need to keep decision making as close as possible to the firing line and the customer.

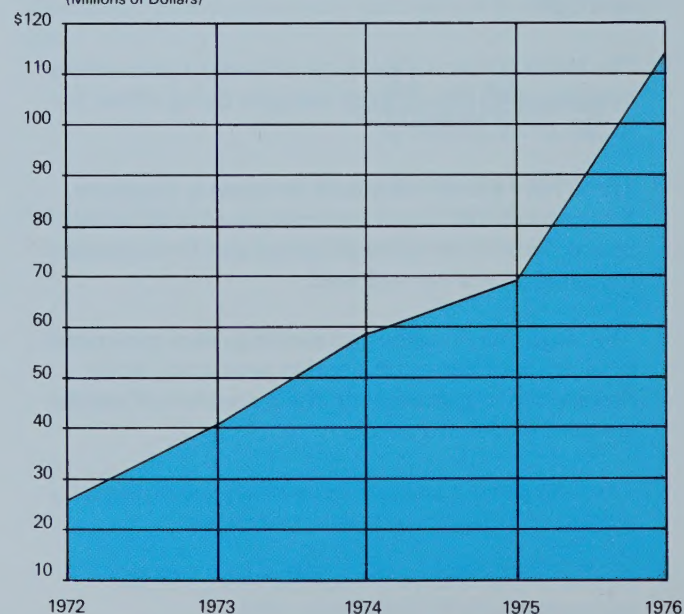
OUTLOOK FOR 1977

It is anticipated that in 1977 the Retail Division will achieve a reasonable increase in sales and earnings in view of the relatively sound economic outlook for Western Canada and the expected increase in demand for do-it-yourself home improvement products. At this time the only major source of concern relates to the low moisture levels which could affect crop conditions in certain parts of the prairies.

This year the Retail Division is continuing its program of enlarging a number of the stores as well as building new stores at existing locations where the present facilities are inadequate. The Company is also considering the merits of expanding into either Eastern Canada or the Western United States. There are still substantial opportunities, however, for Revelstoke to continue its aggressive growth within Western Canada at the Company's existing locations as well as in markets which have not yet been entered by Revelstoke.

RETAIL DIVISION SALES

(Millions of Dollars)



CONCRETE DIVISION



1976 HIGHLIGHTS

- The Concrete Division's sales increased 40.5% to \$27,048,000. For the last five years this Division's sales have experienced a compound annual growth rate of 32.3%.
- The Concrete Division generated a reasonable increase in earnings given its substantially higher volume.
- Capital expenditures amounted to \$330,000 compared with \$1,451,000 in the prior year. Another \$1,294,000 of mobile equipment was financed through sale and leasebacks compared with \$1,567,000 of such equipment financing in 1975.

Revelstoke's Concrete Division operates 19 redi-mix concrete plants with 13 in Alberta, four in Saskatchewan and two in British Columbia. The Company also operates sand and gravel deposits at six of these plants for its own needs and for sale to other customers. In 1976 the Concrete Division represented 18.2% of Revelstoke's total sales.

DESCRIPTION OF BUSINESS

Concrete is one of the most versatile of construction materials and consists of cement, sand, gravel and several other additives which are mixed on a controlled basis at the Company's plants. Each plant meets its customers' specific project needs by utilizing efficient batching equipment, well trained plant operators and the support of the Division's engineering and quality control staff.

Revelstoke's plants supply concrete for a wide range of uses including residential patios, driveways, farm building needs, foundations for residential and commercial construction and government public works programs. A major factor contributing to the success of Revelstoke's concrete business is that the plants service a substantial number of customers across a reasonably diverse and large market. Therefore, none of the plants are dependent upon a continuing supply of large projects or a limited number of major customers to ensure a satisfactory level of operations.

At 14 of the 19 plants, Revelstoke's local retail manager is also responsible for the Company's concrete business in his community. This joint management enables Revelstoke to supply all of the materials required for almost any building project.

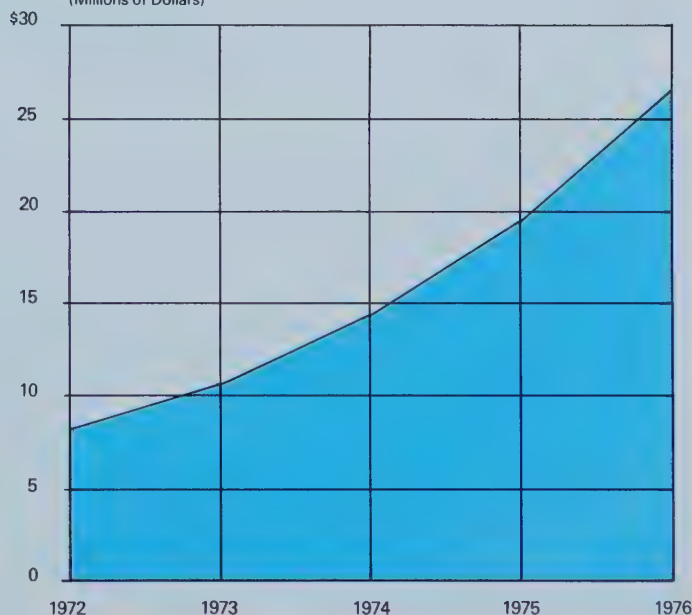
OUTLOOK FOR 1977

Management continues to be concerned with the need to obtain higher productivity in order to offset cost increases affecting all facets of the business.

Revelstoke's Concrete Division, however, should experience a reasonable increase in sales and earnings in 1977 given the outlook for construction activity in the Company's markets, especially Alberta.

CONCRETE DIVISION SALES

(Millions of Dollars)



LUMBER DIVISION



1976 HIGHLIGHTS

- The Lumber Division's sales increased 93.5% to \$8,143,000. This excludes inter-company sales which were \$5,183,000 in comparison with \$2,519,000 in the prior year.
- The Lumber Division had a before tax operating loss of \$1,177,000 compared with a loss of \$1,737,000 in 1975.
- Revelstoke's four lumber mills shipped 86,000,000 board feet of lumber compared with 54,000,000 board feet in 1975.
- Capital expenditures in the Lumber Division amounted to \$589,000 compared with \$747,000 in the prior year with most of the funds again being spent on building access roads to the Company's timber quotas.

Revelstoke's Lumber Division operates four lumber mills, one in British Columbia at Radium and three in Alberta at Rocky Mountain House, Sentinel and Sundre. In 1976 the Lumber Division represented 5.4% of Revelstoke's total sales.

DESCRIPTION OF BUSINESS

The mills manufacture spruce, fir and a small amount of cedar lumber. The Company's timber quotas total approximately 103,200,000 board feet with the Radium mill having 64,000,000, Sentinel 17,900,000, Rocky Mountain House 12,300,000 and Sundre 9,000,000.

The production of the mills is sold to Revelstoke's own stores, customers in both Western and Eastern Canada and export customers in the United States. Approximately 47% of the total lumber bought by Revelstoke's stores was supplied by the Company's own mills in 1976.

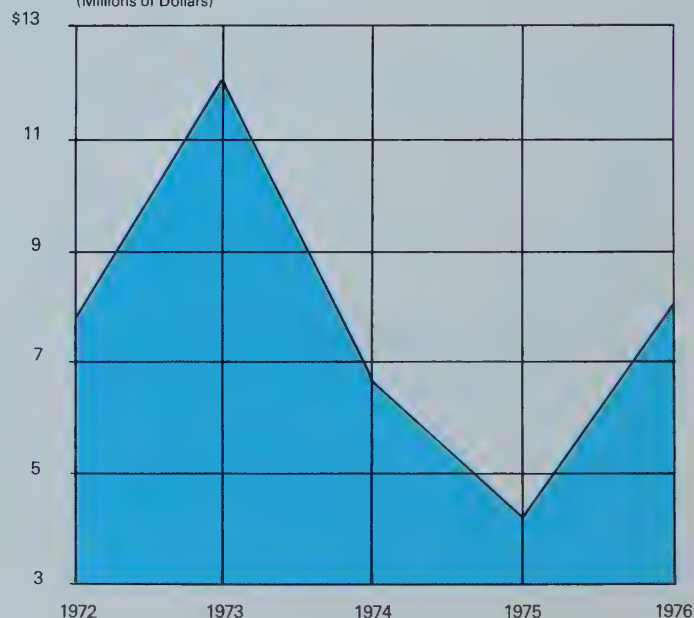
OUTLOOK FOR 1977

The Lumber Division's performance last year was adversely affected by a sharp reduction in chip revenue during the third and fourth quarter. In addition, the increase in lumber prices throughout 1976 was not sufficient to overcome the continued rise in the mills' operating costs.

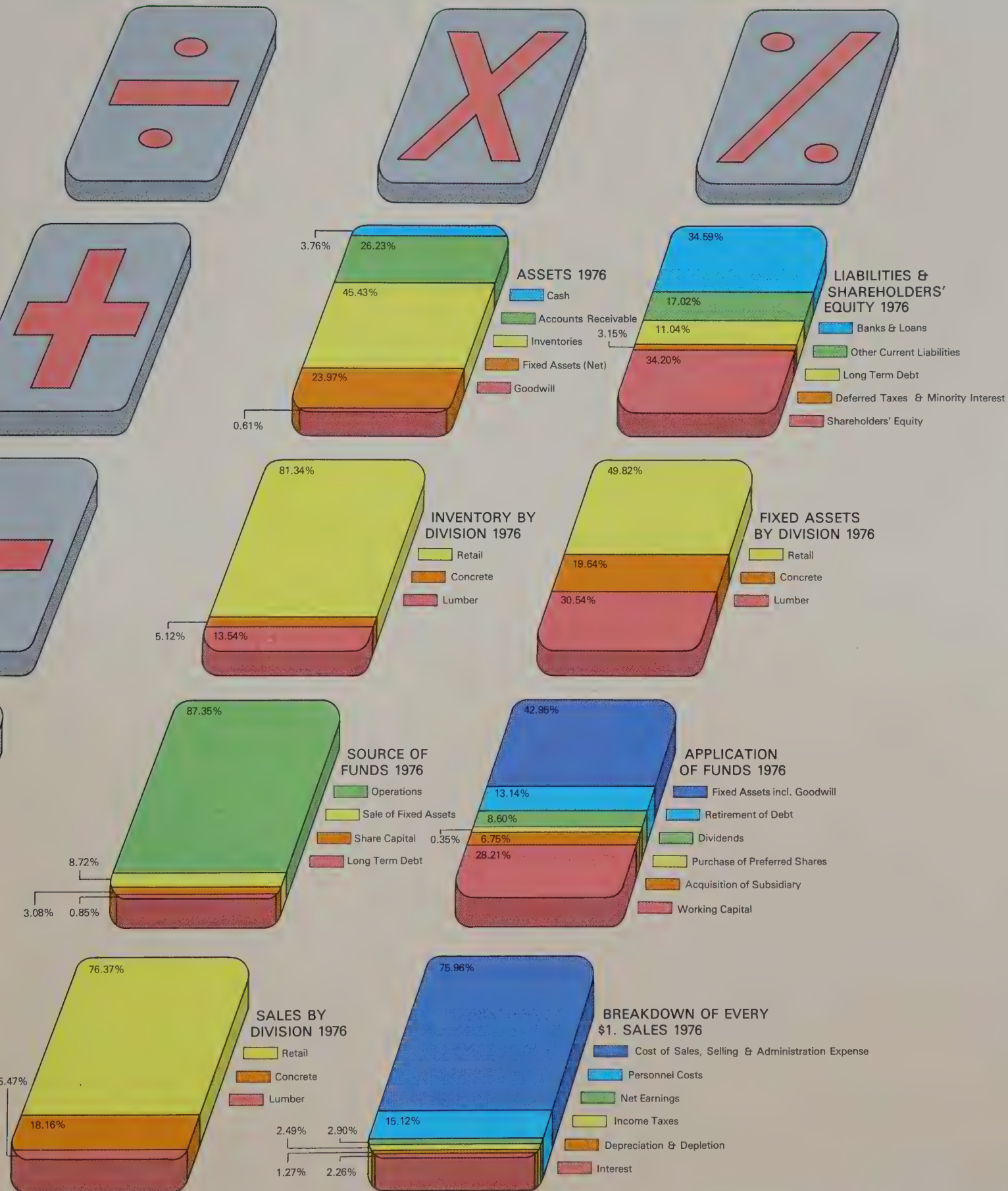
This situation should improve in 1977 as a further recovery in U.S. residential construction is likely to cause lumber prices to rise this year by about 20% above their average overall level in the prior year. For the first time in five years all of Revelstoke's mills also should be able to operate at full capacity throughout most of 1977. These factors together with the decline in the value of the Canadian dollar should permit Revelstoke's Lumber Division to generate at least a modest profit in the current year. The performance of the Radium mill, however, could be influenced by the outcome of the negotiations arising from the expiry on June 30 of the labour contract for sawmill workers in the interior of British Columbia.

LUMBER DIVISION SALES

(Millions of Dollars)



HIGHLIGHTS OF FINANCIAL POSITION



REVELSTOKE COMPANIES LTD.

Consolidated Balance Sheet

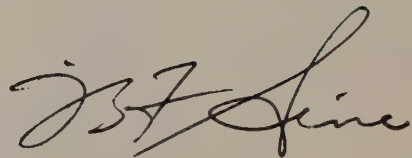
December 31

ASSETS

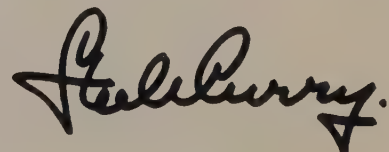
	1976	1975
Current Assets		
Cash	\$ 2,861,911	\$ 2,276,764
Accounts Receivable	19,957,640	14,646,800
Inventories, Valued at the Lower of Cost or Net Realizable Value (Note 2)	34,571,450	27,603,242
	57,391,001	44,526,806
Property, Plant and Equipment, at Cost (Notes 1 and 3)	33,990,602	31,436,803
Less: Accumulated Depreciation and Depletion	15,749,842	14,194,720
	18,240,760	17,242,083
Goodwill, less Amortization (Note 1)	463,502	312,029
Total Assets	\$76,095,263	\$62,080,918

APPROVED BY THE BOARD:

Director



Director



LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
Current Liabilities		
Bank Indebtedness	\$ 2,671,106	\$ 3,665,527
Short Term Loans	23,649,900	10,377,571
Accounts Payable and Accrued Liabilities	10,488,685	12,084,752
Income Taxes Payable	1,535,179	1,120,876
Long Term Debt Due Within One Year (Note 4)	929,987	1,152,285
	<u>39,274,857</u>	<u>28,401,011</u>
Long Term Debt (Note 4)	8,399,818	9,258,497
Deferred Income Taxes	1,945,745	1,809,542
Minority Interest	453,886	477,988
Shareholders' Equity		
Capital Stock (Note 5)		
Preference Shares Issued	2,020,880	2,061,580
Common Shares Issued	4,236,414	4,019,443
Retained Earnings	<u>19,763,663</u>	<u>16,052,857</u>
Total Shareholders' Equity	26,020,957	22,133,880
Commitments and Contingent Liabilities (Note 7)		
Total Liabilities and Shareholders' Equity	<u>\$76,095,263</u>	<u>\$62,080,918</u>

REVELSTOKE COMPANIES LTD.

Consolidated Statement of Current and Retained Earnings

For The Year Ended December 31

Current Earnings

Sales — Retail Division	\$113,710,911	\$ 69,844,780
Concrete Division	27,047,721	19,251,423
Lumber Division	8,143,180	4,208,248
	<u>148,901,812</u>	<u>93,304,451</u>

Costs and Expenses

Cost of Sales, Selling, General and Administrative	135,804,889	85,846,115
Depreciation, Depletion and Amortization (Note 1)	1,892,448	1,364,678
Interest (Long Term: 1976 — \$1,062,880; 1975 — \$590,367)	3,361,870	1,976,033
	<u>141,059,207</u>	<u>89,186,826</u>
	7,842,605	4,117,625
Gain on Disposal of Fixed Assets	229,745	583,433
Earnings before Income Taxes	<u>8,072,350</u>	<u>4,701,058</u>

Provision for Income Taxes

Current	3,564,790	1,855,554
Deferred	136,203	274,295
	<u>3,700,993</u>	<u>2,129,849</u>
Earnings before Minority Interest	4,371,357	2,571,209
Minority Interest	53,647	40,236
Net Earnings for the Year	<u>\$ 4,317,710</u>	<u>\$ 2,530,973</u>

Net Earnings per Common Share (Note 1)

Basic	<u>\$1.08</u>	<u>\$0.625</u>
Fully Diluted	<u>\$1.08</u>	<u>\$0.615</u>
Gain on Disposal of Fixed Assets Net of Tax, included above	<u>\$0.04</u>	<u>\$0.125</u>

Retained Earnings

Balance at Beginning of Year	\$ 16,052,857	\$ 14,030,444
Additions		
Net Earnings for the Year	<u>4,317,710</u>	<u>2,530,973</u>
	<u>20,370,567</u>	<u>16,561,417</u>
Deductions		
Dividends on Preference Shares	121,686	124,607
Dividends on Common Shares	485,218	383,953
Balance at End of Year	<u>\$ 19,763,663</u>	<u>\$ 16,052,857</u>

REVELSTOKE COMPANIES LTD.

Consolidated Statement of Changes in Financial Position

For The Year Ended December 31

	1976	1975
Source of Funds		
Net Earnings for the Year	\$ 4,317,710	\$ 2,530,973
Add (Deduct) Items Not Affecting Funds from Operations		
Depreciation, Depletion and Amortization (Note 1)	1,892,448	1,364,678
Deferred Income Taxes	136,203	274,295
Gain on Disposal of Fixed Assets	(229,745)	(583,433)
Other	45,721	24,674
Funds from Operations	6,162,337	3,611,187
Long Term Debt	60,000	8,203,950
Proceeds on Disposal of Fixed Assets	615,370	1,458,459
Shares Issued	216,971	91,938
	<u>7,054,678</u>	<u>13,365,534</u>
Application of Funds		
Fixed Assets	3,029,986	4,205,608
Purchase of Preference Shares	24,523	20,005
Dividends	606,904	508,560
Long Term Debt	926,930	2,220,171
Goodwill	—	34,400
Acquisition of Subsidiary Companies (Less Working Capital at Date of Acquisition)	475,986	381,890
	<u>5,064,329</u>	<u>7,370,634</u>
Increase in Working Capital	1,990,349	5,994,900
Working Capital at Beginning of Year	16,125,795	10,130,895
Working Capital at End of Year	<u>\$18,116,144</u>	<u>\$16,125,795</u>
Changes in Components of Working Capital		
Current Assets		
Cash	\$ 585,147	\$ 72,617
Accounts Receivable	5,310,840	2,657,556
Inventories	6,968,208	6,662,589
	<u>12,864,195</u>	<u>9,392,762</u>
Current Liabilities		
Bank Indebtedness	(994,421)	1,747,704
Short Term Loans	13,272,329	(5,331,559)
Accounts Payable and Accrued Liabilities	(1,596,067)	6,013,180
Income Taxes Payable	414,303	779,252
Long Term Debt Due Within One Year	(222,298)	189,285
	<u>10,873,846</u>	<u>3,397,862</u>
Increase in Working Capital	<u>\$ 1,990,349</u>	<u>\$ 5,994,900</u>

REVELSTOKE COMPANIES LTD.

Notes To Consolidated Financial Statements

December 31, 1976

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies from their effective dates of acquisition. All of the subsidiary companies are wholly owned with the exception of Revelstoke-Lafarge Ltd., which is 85% owned and Eccott Building Supplies Ltd., which is 78% owned. Inter-company balances and transactions are eliminated.

DEPRECIATION

	Basis	Rate
Buildings	Straight-line	2.5% - 5%
Machinery and Equipment	Straight-line	10% - 30%
Logging Access Roads	Unit of Production	Based on estimated reserves
Sand and Gravel Rights and Properties	Unit of production	Based on estimated reserves if not leased for fixed period
Timber Rights and Leases	Straight-line	5%

GOODWILL

Goodwill acquired after December 31, 1973 in conjunction with the purchase of fixed assets and subsidiaries is being amortized over periods ranging from five to forty years.

NET EARNINGS PER COMMON SHARE

The basic earnings per share are calculated using the weighted average of shares outstanding for the year. Fully diluted earnings per share adjust the basic earnings for outstanding share conversion and option agreements.

NOTE 2 INVENTORIES

Inventory values by Division are as follows:

	1976	1975
Retail Division	\$28,120,371	\$22,745,242
Concrete Division	1,770,111	1,392,000
Lumber Division	4,680,968	3,466,000
	<u>\$34,571,450</u>	<u>\$27,603,242</u>

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

	1976		1975	
	Cost	Net Book Value	Cost	Net Book Value
Land	\$ 2,784,714	\$2,784,714	\$ 2,240,358	\$ 2,240,358
Buildings	10,558,438	6,929,231	8,919,201	5,654,748
Machinery and Equipment	15,339,259	6,016,656	15,074,283	6,483,857
Logging Access Roads	2,362,981	1,014,401	2,253,828	1,214,453
Sand and Gravel Rights and Properties	706,854	485,799	710,777	473,162
Timber Rights and Leases	2,238,356	1,009,959	2,238,356	1,175,505
	<u>\$33,990,602</u>	<u>\$18,240,760</u>	<u>\$31,436,803</u>	<u>\$17,242,083</u>

Effective December 31, 1976 the Company's land and buildings at 26 of its principal retail locations and land at 5 of its concrete plants were appraised by independent appraisers at \$14,830,200. The net book value of these properties at that date was \$4,229,590.

NOTE 4 LONG TERM DEBT

	1976	1975
Sinking Fund Debentures, 11-5/8% due 1990 (Annual sinking fund requirement \$600,000, commencing July 31, 1981)	\$6,228,688	\$ 6,223,439
Sinking Fund Debentures, 6.5% due 1981 (Annual sinking fund requirement \$297,720)	1,041,191	1,321,353
Serial Debentures, 10% (Repayable \$200,000 annually, 1977 to 1980)	791,041	988,540
Serial Notes, 10% (Repayable \$139,600 annually, 1977 to 1980)	558,400	698,000
8% Convertible Term Notes (Repayable \$200,000 annually or at the option of the holder convertible into common shares of the Company as to \$200,000 principal amount annually at prices ranging from \$12.095 per share in 1977 to \$14.515 per share in 1978)	400,000	600,000
Mortgages and Agreements Payable, at rates varying from 8% to 11% (Repayable from 1977 to 1980)	310,485	579,450
	9,329,805	10,410,782
Long Term Debt Due Within One Year	929,987	1,152,285
	<u>\$8,399,818</u>	<u>\$ 9,258,497</u>

The Trust Indenture governing the Sinking Fund 6.5% 1981 Debentures provides that the Company cannot become liable upon any additional funded obligations which in any year prior to September 1, 1981 mature in amounts that exceed the sinking fund payments unless the latter are correspondingly increased, except that up to 30% of any subsequent issue of debentures may be issued as Serial Debentures having annual serial maturities prior to September 1, 1981.

Aggregate annual maturities for the next five years are as follows:

1977	\$929,987
1978	\$931,767
1979	\$731,767
1980	\$526,365
1981	\$600,000

NOTE 5 CAPITAL STOCK

PREFERENCE SHARES

The 300,000 authorized preference shares of a par value of \$20.00 each are issuable in series, of which 125,000 have been designated as 6% cumulative redeemable shares 1961 series and are redeemable at \$20.50 plus any accrued and unpaid dividends as at the date of redemption and 9,351 have been designated as 1% non-cumulative redeemable preference shares 1970 series.

The 6% cumulative redeemable shares 1961 series issued and outstanding are as follows:

	1976		1975	
	Shares	Amount	Shares	Amount
Balance, beginning of year	103,079	\$2,061,580	104,789	\$2,095,780
Purchased on open market and tendered for cancellation	2,035	40,700	1,710	34,200
Balance, end of year	<u>101,044</u>	<u>\$2,020,880</u>	<u>103,079</u>	<u>\$2,061,580</u>

COMMON SHARES

10,000,000 common shares of no par value are authorized. Common shares issued and outstanding are as follows:

	1976		1975	
	Shares	Amount	Shares	Amount
Balance, beginning of year	1,930,261	\$4,019,443	1,918,515	\$3,927,505
Issued on purchase of additional interest in subsidiary	15,470	125,908	—	—
Issued on 2:1 stock split	1,945,731	—	—	—
Issued for cash under employee stock purchase plan	13,500	91,063	11,746	91,938
	<u>3,904,962</u>	<u>\$4,236,414</u>	<u>1,930,261</u>	<u>\$4,019,443</u>

Shares reserved for conversion of 8% Convertible Term Notes	30,314
Shares reserved for employee stock options	27,000
Shares reserved for employee stock purchase plan	39,008
	<u>96,322</u>

At December 31, 1976, options in respect to 27,000 shares at \$3.075 per share remained outstanding. The options expire in 1977.

NOTE 6 REMUNERATION

The remuneration of directors and senior officers in 1976 amounted to \$470,563 compared to \$376,262 in 1975.

NOTE 7 COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1976, the Company operated 108 stores. The properties relating to 95 of these stores are owned with those relating to the other 13 being leased for terms varying from five to twenty years at minimum annual rentals (exclusive of taxes, insurance and other occupancy charges) as shown below. The Company also has equipment under lease for terms varying from five to seven years.

The lease payments required over the next five years are as follows:

	<u>Properties</u>	<u>Equipment</u>
1977.....	\$421,889	\$1,206,677
1978.....	\$371,089	\$1,196,166
1979.....	\$392,563	\$1,141,073
1980.....	\$377,603	\$ 965,804
1981.....	\$377,603	\$ 731,051

Pursuant to an inquiry by the Chairman of the Restrictive Trade Practices Commission, the Company among others has been requested to appear in court to give evidence regarding alleged acts to prevent or lessen unduly competition in the manufacture, purchase, barter, sale, transportation or supply of ready-mix concrete and related products in Alberta.

The Company has entered into agreements to acquire the minority interest in Eccott Building Supplies Ltd. over a five year period by the issuance of shares of Revelstoke Companies Ltd. The number of shares to be issued will be determined by reference to the earnings of Eccott and the market value of Revelstoke shares, with minimum considerations of \$107,185 in 1977 and \$102,524 in each of 1978, 1979 and 1980.

NOTE 8 ANTI-INFLATION PROGRAM

The Company is subject to and believes it is in compliance with the controls on prices, profits, compensation and dividends under the Federal Anti-Inflation Program.

Auditors' Report

To the Shareholders of
Revelstoke Companies Ltd.

We have examined the consolidated balance sheet of Revelstoke Companies Ltd. as at December 31, 1976 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

April 1, 1977

Chartered Accountants

WHAT IS A HOME IMPROVEMENT CENTRE



For many years the retail lumber and building material industry was somewhat backward in its methods of merchandising and marketing. Starting several years ago a number of companies in the industry, including Revelstoke, initiated extensive changes in their manner of doing business. In particular, these companies redesigned their stores to combine the features of a lumber yard, hardware store, building material dealer, floor covering outlet, paint and wallpaper store and plumbing and electrical supplier. This new type of store, established to provide one stop shopping for customers interested in doing their own home building, decorating and repair projects, is called a "home improvement centre."

The magnitude of change affecting home improvement retailers over the last five years is equivalent to the type of evolution which occurred in the retail grocery business over a period of some 30 years. As was the case with the supermarket, the emergence of the home improvement centre is based on a major shift in consumer attitudes, needs and spending patterns. The home improvement retail industry is based upon the increase in consumer discretionary income and leisure time, the rise in new family formations, the critical shortage of tradesmen and the prohibitive cost to homeowners of using those tradesmen that are available. At the same time the rapid increase in house prices has prompted homeowners to increase the size

and improve the quality of their existing homes as opposed to incurring the substantial costs of buying and financing a new home. Concurrently, the major retail chains and manufacturers of home improvement products are stimulating further demand through advertising and promotion campaigns aimed at educating consumers about the increasing number of do-it-yourself projects that can easily be undertaken by homeowners themselves. Finally, the rising cost of gasoline is forcing people to spend more time at home and therefore heightening their desire to have an appealing and attractive home environment. Consequently, the future demand on the part of consumers for home improvement do-it-yourself projects should cause this segment of the retail industry to experience the fastest rate of growth in the entire retail business for at least the next decade.

It should be noted that there is a considerable difference in the type of facilities and merchandising philosophies adopted by the major retailers catering to this market. Revelstoke has deliberately confined its product mix to the basic home improvement lines and has continued to service both retail customers and professional buyers. To enable the Company's stores to carry a full assortment of lumber and building materials, each Revelstoke home improvement centre also has an adjoining warehouse and outside storage space as well as a retail showroom.

THE SPIRIT OF OUR PEOPLE



To a large extent, the success of every company is predetermined by the spirit of the men and women working there. This spirit is just as real and evident as a company's physical facilities, advertising or products. It influences almost everything a company does — from how its customers are treated to whether the company is a leader in its industry. It takes years for a truly positive spirit to become widespread throughout a company but it can be destroyed overnight if management is not careful.

At Revelstoke we think the spirit of our people is unquestionably the critical factor in our current and future success. We know very well that football games are not won by quarterbacks, they are won by teams. As the cover of our annual report states: "It takes a

great *orchestra* to produce results like Revelstoke."

The photographs on these pages demonstrate that we are in a demanding business selling the identical products as most of our competitors. In working closely together to provide customers with the best possible service, it is obvious that the commitment and enthusiasm of our people is what distinguishes Revelstoke from its competitors.

The spirit of the people at Revelstoke means wanting to help and please customers, having a sense of pride and accomplishment in doing an excellent job, treating one another with respect, wanting to be the best in our business, participating in community activities and always being able to laugh and have fun together. This is the spirit of "the Revelstoke family."



SERVING CUSTOMERS

Our people have a sense of pride in making customers happy and satisfied. We know that what we're selling is quite important to our customers. This means we must be prepared to assist them in interpreting complex drawings for a new building, to open a store at 3 a.m. and deliver bags of cement for an oil drilling crew, or to drop off a last bundle of shingles after dinner so that someone's roof can be completed. This "we'll help you" attitude is fundamental to our success.

PARTICIPATING IN OUR COMMUNITIES

A knowledge of the local marketplace means more than stocking the correct selection of merchandise

based on local requirements. It means participating in the activities of the community. In all our locations you will find Revelstoke people coaching the local hockey or baseball team, running the ice arena, participating in town council, or even being the volunteer fire chief. Active participation in our communities is not merely good corporate citizenship, it is a way of life for us.

SETTING HIGH STANDARDS

Just going through the motions of doing one's job is not enough to achieve superb results. It is essential to have that extra drive and desire to excel. There is also an understanding that team work among fellow



employees is vitally important. Awards, contests and special incentives all encourage these high standards of performance.

WANTING TO DEVELOP

Revelstoke's rapid growth ensures there will be opportunities for advancement for everyone at the Company. Our people have adopted new ways of doing business and are continually improving their product and industry knowledge. Seminars and training programs help prepare everyone for greater challenges given Revelstoke's policy of promoting from within the Company.

HAVING A POSITIVE ATTITUDE

Enthusiasm and competitive drive are very much in evidence throughout the Company. Even with difficult problems, our people say "we can do it." We know we do not have all the answers but we are keenly striving to be the best managed company of our size and kind in Canada.

HAVING FUN

We are convinced that a major part of everyone's relationship with the Company should be having fun. Being able to laugh together makes it easier to work harder together. It is a basic fact that individuals only excel in their work when they enjoy what they are doing.

INFORMATION ON OUR MARKETS

In order to understand Revelstoke's performance and future potential, one needs to be aware of the economic and demographic factors influencing the Company's markets and the demand for its products. This section of the Annual Report contains market research information describing Revelstoke's market, namely Western Canada, and the magnitude of the sales potential for the Company's products. In the accompanying Tables, Western Canada refers to Alberta, British Columbia, Manitoba and Saskatchewan.

OUR MARKETS: Revelstoke's 108 stores, 19 concrete plants and four lumber mills are all located in the four western provinces of Canada. In 1976 approximately 53.0% of the Company's total sales were generated in Alberta, 24.9% in British Columbia and 22.1% in Manitoba and Saskatchewan.

Alberta represents Revelstoke's most significant market and accounts for the majority of the Company's sales and earnings. This province is likely to enjoy unique prosperity for the next decade compared with almost any other region in

North America. The Company operates in 50 communities throughout Alberta with 54 stores, 13 concrete plants and three lumber mills.

The Company's second largest market, British Columbia, registered a mixed performance from the standpoint of consumer spending, economic growth and residential construction activity in 1976. As a consequence, some of Revelstoke's 14 stores in the province enjoyed considerable prosperity while others encountered difficulties in keeping pace with their 1975 performance. At this time, it appears that British Columbia's two largest industries, forest products and mining, will stage a recovery in 1977 which should improve business conditions throughout the province.

The Company's 28 stores in Saskatchewan participated in that province's unparalleled prosperity in 1976. Revelstoke's 12 stores in Manitoba also registered satisfactory gains in their business. The economic outlook for both Saskatchewan and Manitoba is reasonably sound for 1977 except for some concern over a lack of moisture in a number of farming districts.

1. POPULATION AND HOUSEHOLDS WESTERN CANADA

	POPULATION			HOUSEHOLDS		
	Population (000)	Percentage Increase	Percentage Canada	Households (000)	Percentage Increase	Percentage Canada
1976	6,323	+ 2.4	27.2	1,893	+ 3.1	27.7
1975	6,174	+ 2.2	27.0	1,836	+ 3.0	27.7
1974	6,039	+ 2.2	26.9	1,782	+ 0.7	27.9
1973	5,911	+ 1.6	26.7	1,770	+ 3.4	28.2
1972	5,817	+ 1.6	26.6	1,711	+ 0.9	28.0
1971	5,727	—	26.6	1,697	—	28.0

NOTE:

1. Population reported at July 1 of each year, except for 1971 which is derived from census data dated June 30, 1971.
2. Number of households reported at April 1 1972, at June 30 for the 1971 census, and at June 1 for the remaining years.

SOURCE: Statistics Canada, *Quarterly Population Estimates*; *The Financial Post Survey of Markets*.

POPULATION AND HOUSEHOLDS: Table 1 indicates that Western Canada currently has a population of 6,323,000 which represents an increase of 10.4% over the last five years. In analyzing the market potential for home improvement products, it is usually more meaningful to consider the total number of households in any given market. Since 1971, the number of households in

Western Canada has increased 11.5% to 1,893,000. The greater percentage increase occurring in households rather than population is a result of a decline in the number of persons per household. This spring, Revelstoke distributed its 1977 Annual Spring Catalogue to over 900,000 households throughout Western Canada.

2. HOUSING PERMITS AND STARTS WESTERN CANADA

	HOUSING PERMITS ISSUED			HOUSING STARTS		
	Total Units	Percentage Change	Percentage Canada	Total Units	Percentage Change	Percentage Canada
1976	96,110	+ 18.2	36.7	98,980	+ 28.2	36.2
1975	81,333	+ 28.6	33.9	77,209	+ 15.5	33.4
1974	63,222	— 18.2	31.8	66,864	— 12.6	30.1
1973	77,281	+ 8.5	28.5	76,521	+ 2.4	28.5
1972	71,217	+ 5.0	29.3	74,733	+ 0.1	29.9
1971	67,798	—	29.4	74,632	—	31.9

NOTE:

1. Housing permits issued and housing starts include single family dwellings, multi-family dwellings and cottages. Housing permits also include conversions.

SOURCE: Statistics Canada, *Building Permits*; C.M.H.C., *Housing Statistics*.

CONSTRUCTION ACTIVITY: In order to give a complete record of housing activity in Western Canada, Table 2 provides information on both housing permits and housing starts. It should be noted that not all houses are built following the issue of a permit nor are housing permits necessarily required in certain rural areas. Nevertheless, the statistics for both housing permits and starts demonstrate that Western Canada has accounted for a steadily increasing

proportion of Canada's total housing activity over the last three years. In 1976 Western Canada accounted for more than 36% of the total housing permits and starts in Canada. It should also be noted that there is traditionally a higher proportion of single family houses constructed in Western Canada than in the rest of Canada.

3.

VALUE OF CONSTRUCTION PERMITS ISSUED WESTERN CANADA

	TOTAL CONSTRUCTION			RESIDENTIAL CONSTRUCTION		
	(000)	Percentage Change	Percentage Canada	(000)	Percentage Change	Percentage Canada
1976	\$4,585,817	+ 30.0	37.6	\$2,906,441	+ 35.2	38.9
1975	3,527,903	+ 24.2	33.3	2,149,499	+ 45.0	35.1
1974	2,841,527	+ 18.5	30.6	1,482,477	+ 9.0	32.4
1973	2,397,240	+ 30.5	27.9	1,359,814	+ 27.3	28.5
1972	1,836,788	+ 12.1	28.6	1,068,288	+ 14.3	29.6
1971	1,639,237	—	28.7	934,915	—	29.2

NOTE:

1. Value of total construction permits includes residential, industrial, commercial, institutional and government buildings.
2. Value of residential construction permits includes new residential dwellings of all types, cottages, conversions, and alterations and improvements to existing dwellings

SOURCE: Statistics Canada, *Building Permits*.

VALUE OF CONSTRUCTION: Table 3 illustrates that the value of both total construction and residential construction has exhibited a steady and high rate of growth in Western Canada over the last five years. Last year Western Canada accounted for 37.6% of the value of all construction permits issued in Canada

and 38.9% of the value of all residential permits. The level of total construction and residential construction is obviously important to Revelstoke's Concrete Division and to the professional sales of the Retail Division.

4.

DISPOSABLE INCOME WESTERN CANADA

	TOTAL DISPOSABLE INCOME			HOUSEHOLD DISPOSABLE INCOME		
	(000,000)	Percentage Change	Percentage Canada	Average Per Household	Percentage Change	Comparison To Canadian Average
1976	\$21,638	+ 11.6	28.5	\$11,431	+ 8.2	+ \$ 325
1975	19,391	+ 18.7	27.8	10,562	+ 15.3	+ 55
1974	16,331	+ 19.7	27.8	9,164	+ 18.9	— 30
1973	13,647	+ 23.3	26.7	7,710	+ 19.3	— 423
1972	11,065	+ 10.3	25.1	6,465	+ 9.3	— 768
1971	10,034	—	25.3	5,914	—	— 1,014

NOTE:

1. Disposable income represents personal income less taxes, other current transfers to governments, and total personal savings.
2. Household disposable income is derived by dividing total personal income by total households (Table 1).
3. 1976 disposable income is projected from the quarterly estimates of Statistics Canada.

SOURCE: Statistics Canada, *Canadian Statistical Review*; *The Financial Post Survey of Markets*.

DISPOSABLE INCOME: The total amount of disposable income available in any market is highly relevant to gauging the sales potential for a retailer. As Table 4 outlines, the total amount of disposable income has grown substantially in Western Canada, even allowing for inflation, with the four western provinces

accounting for a steadily increasing proportion of Canada's total disposable income. In 1976 Western Canada's total disposable income was \$21.6 billion with the average per household being \$11,431. For the last two years this amount has exceeded the Canadian average.

5. TOTAL RETAIL SALES AND ESTIMATED RETAIL SALES OF "HOME IMPROVEMENT" MERCHANDISE WESTERN CANADA

	TOTAL RETAIL SALES			ESTIMATED RETAIL SALES "HOME IMPROVEMENT" MERCHANDISE		
	(000,000)	Percentage Change	Percentage Canada	(000,000)	Percentage Change	Percentage Canada
1976	\$16,993.85	+ 15.7	29.7	\$973.7	+ 11.6	28.5
1975	14,683.4	+ 12.5	29.1	872.6	+ 18.7	27.8
1974	13,055.4	+ 19.3	29.3	734.9	+ 19.7	27.8
1973	10,947.6	+ 14.3	28.6	614.1	+ 23.3	26.7
1972	9,574.0	+ 14.7	28.1	497.9	+ 10.3	25.1
1971	8,346.2	—	27.5	451.5	—	25.3

NOTE:

1. Retail sales for 1971 include Yukon and The Northwest Territories.
2. 1975 retail sales are preliminary estimates by Statistics Canada.
3. "Home improvement" merchandise includes lumber, building materials, hardware, tools, paint, wallpaper, carpet, electrical and plumbing supplies.
4. The retail sales of home improvement merchandise are estimated to represent 4.5% of total disposable income, based on information contained in publications of Statistics Canada. No allowance was made for the possibility that the percentage of household income spent on these products may be increasing. The estimated retail sales do not include sales to professional customers and builders.

SOURCE: Statistics Canada, *Retail Trade*; Western Realesearch Corporation.

RETAIL SALES AND MARKET POTENTIAL: Table 5 indicates that total retail sales in Western Canada were \$17.0 billion in 1976 which represents an increase of 15.7% above the prior year. Over the last five years Western Canada has accounted for an increasing proportion of Canada's total retail sales.

All retailers are naturally interested in the total size of the market for their type of merchandise. In the case of Revelstoke, it is difficult to estimate with a high degree of accuracy the total Canadian retail sales of the products carried by the Company's stores as so many different types of retailers participate in the market. While Statistics Canada makes certain information and studies available, it is still necessary to apply an element of subjective judgement in determining the total size of Revelstoke's retail market.

The estimated sales of home improvement merchandise in Table 5 are based on the premise that Canadians spend approximately 4.5% of their total personal income on this type of merchandise which includes lumber, building materials, paneling, insulation, hardware, tools, paint, wallpaper, carpet, electrical and plumbing supplies and heating equipment. Obviously single family homeowners spend a much higher proportion of their disposable income on home improve-

ment merchandise than do apartment dwellers. In addition, homeowners in certain parts of Canada, such as agricultural and rural areas, are usually more inclined to spend a higher proportion of their disposable income on this type of merchandise than most urban homeowners. It is assumed in Table 5 that the percentage of disposable income spent on home improvement merchandise has been a constant figure since 1971. It is likely, however, that the proportion of total disposable income spent on these products is increasing and that the actual figure is now closer to 5.0% in Canada.

According to Table 5, the total estimated 1976 retail sales of home improvement merchandise in Western Canada amounted to \$973,700,000, excluding sales to professional customers such as builders, industrial and institutional accounts. On the same basis, it is estimated that the total Canadian retail sales of home improvement merchandise and building products were some \$3.4 billion in 1976. While these figures are subject to certain assumptions, it is obvious that the market potential for the type of merchandise sold by Revelstoke's stores is substantial.

6. ESTIMATED 1976 TOTAL CANADIAN SALES BUILDING PRODUCTS & HOME IMPROVEMENT MERCHANDISE

Lumber, Building Material and Home Improvement Stores	\$3,261,000,000
Hardware, Home and Auto Supply Stores	585,000,000
Department, General Merchandise and Variety Stores	521,000,000
Other Stores	544,000,000
	<u>\$4,911,000,000</u>

NOTE:

1. Sales of lumber, building material and home improvement stores include sales to professional customers, builders, industrial and institutional accounts.
2. Sales of all other stores in table only include sales to retail customers.
3. Sales of hardware, home and auto supply stores only include home improvement type merchandise and exclude sales of appliances, giftware and housewares.
4. Sales of department, general merchandise and variety stores only include hardware, paint, wallpaper, building materials, plumbing and electrical supplies.
5. Sales of other stores include specialty retailers of floor covering, paint, wallpaper, plumbing, electrical and heating supplies.

SOURCE: Statistics Canada; Revelstoke Companies Ltd.

Table 6 indicates an alternative method of estimating the total retail sales for Revelstoke's type of merchandise while also including sales to professional customers of all types in the estimated figure for lumber and building material stores. The figures contained in Table 6 were prepared by Revelstoke based upon information released by Statistics Canada as well as trade sources. It is difficult, however, to separate the sales of Western Canadian stores from the total Canadian figures in this analysis. This information is also more complete than a similar table contained in last year's annual report which excluded the sales of certain types of retailers.

It is estimated that the total sales of building products and home improvement merchandise by all categories of Canadian stores amounted to approximately \$4.9 billion in 1976. As this Table clearly illustrates, the industry is highly fragmented with many different types of retailers taking a share of the market. Lumber, building material and home improvement stores accounted for close to two-thirds of the total volume in this type of merchandise in 1976. The figures for this category of retailer include their sales to professional customers which probably represent about 40% of their total sales. It is estimated that the total sales of lumber, building material and home improvement stores increased in 1976 by approximately 18.4% in comparison with 1975.

FINANCIAL REVIEW

For the Year Ended December 31

5 Year Compound
Growth Rates
1971 - 1976

	1976	1975	1974	1973	1972	1971
INCOME STATEMENT						
Total Sales.....	36.1% \$148,901,812	\$93,304,451	\$80,343,318	\$63,170,831	\$42,808,839	\$31,866,424
Pre-Tax Earnings	41.6% 8,072,350	4,701,058	4,842,936	6,386,970	3,000,066	1,419,945
Income Taxes	41.5% 3,700,993	2,129,849	2,384,540	3,037,743	1,444,563	652,494
Net Earnings	41.4% 4,317,710	2,530,973	2,435,119	3,332,146	1,541,384	763,903
Cash Flow	24.3% 6,162,337	3,611,187	3,907,694	5,364,260	2,970,012	2,074,069
PER SHARE						
Sales.....	35.6% 38.13	24.17	20.94	16.54	11.89	8.85
Earnings (1)	43.1% 1.08	0.625	0.605	0.885	0.395	0.175
Cash Flow	22.4% 1.58	0.935	1.02	1.48	0.825	0.575
Dividends.....	29.0% 0.125	0.10	0.10	0.085	0.07	0.035
Shareholders' Equity (2)	12.8% 6.15	5.20	4.68	4.18	3.71	3.37
BALANCE SHEET						
Working Capital	20.3% 18,116,144	16,125,795	10,130,895	10,048,005	6,524,107	7,178,685
Fixed Assets	14.4% 18,240,760	17,242,083	14,558,102	13,113,984	11,946,085	9,329,375
Long Term Debt	30.4% 8,399,818	9,258,497	3,028,320	4,015,757	3,008,866	2,227,453
Shareholders' Equity	12.8% 26,020,957	22,133,880	20,053,729	18,126,836	15,501,854	14,263,382
Total Assets	25.4% 76,095,263	62,080,918	49,692,146	43,569,418	33,558,810	24,518,034
RATIOS						
Current Assets to Current Liabilities	1.46	1.57	1.41	1.49	1.44	1.90
Equity Capital to Long Term Debt	3.10	2.39	6.62	4.51	5.15	6.40
Return on Assets	6.96%	5.09%	5.59%	9.92%	6.30%	3.40%
Return on Shareholders' Equity	19.50%	12.62%	13.43%	21.50%	10.81%	5.40%
OTHER INFORMATION						
Common Shares Outstanding	3,904,962	3,860,522	3,837,030	3,820,030	3,600,030	3,600,030
Shareholders at Year End	897	899	906	760	735	901
Common Share Price Range — High	\$8.00	\$4.57	\$6.56	\$6.44	\$3.94	\$2.75
— Low	\$3.90	\$2.88	\$2.50	\$3.82	\$2.25	\$1.50
Employees at Year End	2035	1650	1300	1250	1100	900

(1) Earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year.

(2) Shareholders' equity per share is calculated using the total of the common share capital and retained earnings.

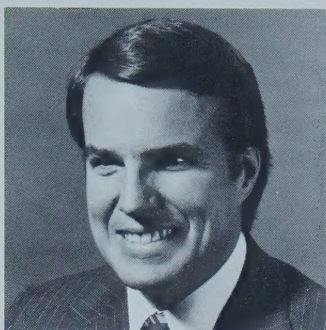
GENERAL COMPANY INFORMATION

OFFICERS



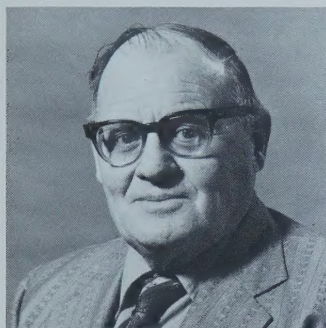
GERALD A. BERKHOLD

Vice President Operations. Joined Revelstoke in that position in 1972 after being with Triarch Corporation Limited and the Canadian Imperial Bank of Commerce. Received B. Comm. from the University of Alberta in 1960. Age 38.



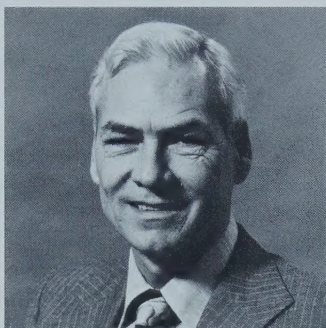
STEELE CURRY

President. Joined Revelstoke in that position in 1971 after being with Triarch Corporation Limited, The T. Eaton Company and Development Research Associates. Received M. B. A. from Harvard University in 1964, B. A. from Stanford University in 1962. Age 36.



JOHN B. HALL

Vice President Lumber Trading. Responsible for selling the lumber produced by the Lumber Division and purchasing the lumber required by the Retail Division. Joined Revelstoke in 1938, appointed Vice President in 1960. Age 61.



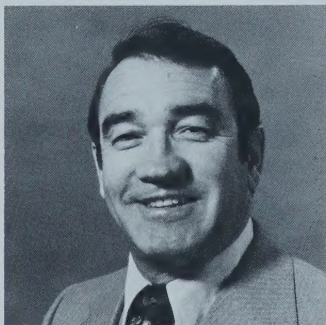
KEITH A.C. McDOWELL

Vice President and Secretary Treasurer. Responsible for the Company's general corporate, financial and legal affairs. Joined Revelstoke in 1955, appointed Secretary Treasurer in 1961 and Vice President in 1968. C. A. Age 49.



GORDON D. ROBERTS

Vice President Administration. Responsible for accounting, data processing, general administration and management information systems. Joined Revelstoke in 1975 after being with IBM Canada Limited. Received B. Comm. from the University of Alberta in 1960. Age 39.



VICTOR R. ROSKEY

Vice President Merchandising. Responsible for advertising, new store development, purchasing and other merchandising functions in the Retail Division. Joined Revelstoke in 1948, appointed Vice President in 1974. Age 45.

BOARD OF DIRECTORS

Gerald A. Berkhold
Vice President of the Company
Calgary, Alberta

Arthur J.E. Child
President
Burns Foods Limited
Calgary, Alberta

Steele Curry
President of the Company
Calgary, Alberta

Neil B. Ivory
President
Pembroke Management Ltd.
Montreal, Quebec

John E. Sands, C. A.
Vice President
Trucena Investments Limited
Toronto, Ontario

John L. Schlosser
President
Tri-Jay Investments Ltd.
Edmonton, Alberta

Brett F. Sine
Chairman of the Board of the Company
Calgary, Alberta

Robert L. Strickland
Executive Vice-President
Lowe's Companies, Inc.
North Wilkesboro, North Carolina

James R. Swartz
Vice President
Citicorp Venture Capital Ltd.
New York, New York

Arthur J. Vincent
President
Smith, Vincent & Co. Ltd.
Winnipeg, Manitoba

HEAD OFFICE

Revelstoke Companies Ltd.
Box 2501
508 - 24 Avenue S.W.
Calgary, Alberta T2P 2N2
Phone (403) 266-6071

AUDITORS

Price Waterhouse & Co.

PRINCIPAL SUBSIDIARY COMPANIES AND % OF OWNERSHIP

Eccott Builders Supply Ltd.	78%
Revelstoke Home Centres Ltd.	100%
Revelstoke-Lafarge Ltd.	85%
Revelstoke Sawmill (Radium) Ltd.	100%
Stewart & Hudson Ltd.	100%

PARENT COMPANY INCORPORATION

Province of Alberta, Canada

TRANSFER AGENTS AND REGISTRARS

Common Shares
Montreal Trust Company
Calgary, Toronto, Montreal and Vancouver

Preferred Shares and Trustees for 6½ % Debentures
Canada Permanent Trust Company
Calgary, Toronto, Montreal and Vancouver

LISTING OF COMMON AND PREFERRED SHARES

The Toronto Stock Exchange

ECCOTT BUILDERS SUPPLY LTD.

James E. Eccott, President

REVELSTOKE SAWMILL (RADIUM) LTD.

Frank R. Fortin, General Manager

STEWART & HUDSON LTD.

Geoffrey J. Stewart, Chairman
James W. Anderson, General Manager

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Calgary Convention Centre, 110 - 9th Ave. S.E., Calgary, Alberta on May 19, 1977 at 9:30 a.m.

FRONT COVER CREDIT

Cartoon by George Booth, Stony Brook, New York

